

**ATTACHMENT "A"**  
**AFFIDAVIT (UNDER SEAL)**

State of Texas  
County of Webb

1. I, Phillip Chaves, Special Agent of the United States Department of Homeland Security (DHS), U.S. Immigration and Customs Enforcement (ICE), Homeland Security Investigations (HSI), declare under the penalty of perjury, as provided by 28 U.S.C. § 1746, that the facts stated herein are based upon my personal knowledge, information I obtained in the course of my investigation, information obtained from other law enforcement personnel, including IRS CID Special Agent Mark Weymouth, Laredo Police Department officers, and Webb County Deputy Sheriffs; and those facts set forth below are true and correct to the best of my knowledge and belief.

***INTRODUCTION:***

2. The Red Top Amusement Center, the Flamingo Amusement Center, and the Lucky Panda Amusement Center are gambling parlors that house eight-liner gaming machines. An "eight-liner" gambling machine is a gaming device like a slot machine. Each device has an electronic monitor screen, a cash acceptor, and buttons such as "Bet", "Start", and "Cash Out". Each gaming device is operated internally by a motherboard which is a printed circuit board containing the principal components of the gaming device. Depending on the type of machine, a player "wins" if a horizontal, vertical, or diagonal row of objects line up. Eight-liner machines come in multiple variants, including video reel, video keno, and video bingo games, among others. A player who wins receives a cash award from the Amusement Center.

3. The gambling devices operate in a consistent way. Customers place cash into video gambling devices, resulting in electronic credits being revealed on the screen. The video

gambling devices only accept cash for credits, and the cash is stored inside the locked device. Each device counts credits. Customers play a select number of credits that result in either the loss of credit or gain of credit. Depending on the type of device, a player “wins” if a horizontal, vertical, or diagonal row of objects line up. The devices now come in multiple variants and can include video reel, video keno, and video bingo games, among many others. Customers have the opportunity to win large amounts of credits, based on the chance play of the video gaming device. Customers typically “cash out” by pushing a button to claim the credits won on the device, resulting in the cash payment by a game room manager and or cashier. The cash that went into the device for credit stays inside the device. The game room, or amusement center, maintains cash on hand in order to payout the customer credits and or “jackpots”. The video gaming devices are later emptied by select game room employees. Cash is the only payment type identified in this business structure. Following cash collection throughout the business day, the game room has a cash profit or loss. This investigation has revealed that game room owners, operators and employees deposit cash profits into business and personal bank accounts.

4. According to the Webb County Appraisal District, Freeway Connection Inc. is the owner of the Defendant Red Top. Freeway Connection Inc. was incorporated in Texas on September 15, 2003 by Paul YEE. The Certificate of Formation obtained from the Texas’ Secretary of State lists Jerry Kawai PANG as the director of the corporation.

5. According to the Webb County Appraisal District, X & M International Inc. is the owner of the Defendant Flamingo. X & M International Inc. was incorporated in the Texas on July 11, 2011 by Paul YEE. The Certificate of Formation obtained from the Texas’ Secretary of State lists Jerry Kawai PANG as the director of the corporation.

6. According to the Webb County Appraisal District, La Muralla Inc is the owner of the Defendant **Lucky Panda**. La Muralla, Inc. was incorporated in Texas on November 5, 2013

by Paul YEE. The Certificate of Formation obtained from the Texas' Secretary of State list Jerry Kawai PANG and Tony TRAN as the directors of the corporation.

**RED TOP AMUSEMENT CENTER:**

7. On or about June 28, 2004, a Deed of Trust with Security agreement was entered into between Freeway Connection, Inc. by Jerry Kawai Pang and South Texas National Bank of Laredo for the purchase of the real property and improvements located at 1920 East Saunders Street, Laredo, Texas.<sup>1</sup> PANG, President of Freeway Connection, Inc., obtained two loans from South Texas National Bank in the amounts of \$875,000.00 and \$300,000.00. Both loans were secured by a Deed of Trust lien against Defendant Red Top.

8. For several years after its acquisition in 2004, the property located at 1920 East Saunders operated as the White Swan Restaurant. In 2010, the premises were operating as an eight-liner gambling establishment under the name of the Aquarium Amusement Center. The business continued to operate until September 2014 when the Aquarium Amusement Center was ordered to close its doors under a Texas nuisance abatement law. In March 2015, the gambling establishment reopened its doors under the name Red Top Amusement Center.

9. The amusement center is known to have operated as an eight-liner gambling establishment in violation of Texas Penal Code, Chapter 47 since January, 2010. During January 15, 2010 through February 5, 2010, Laredo Police Department (LPD) officers conducted an undercover investigation. LPD officers, posing as customers, gambled at the Aquarium Amusement Center and won. Five (5) cash payouts in excess of \$5.00 were paid out to the undercover officer. As a result of their investigation, LPD Investigators obtained and executed a state search warrant at the Aquarium Amusement Center on February 5, 2010. They seized \$27,280.00 in United States currency, 259 motherboards from eight-liner gambling devices, bank

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<sup>1</sup> South Texas National Bank of Laredo became Laredo National Bank. Laredo National Bank was subsequently acquired by BBVA Compass bank which became owner of the loan obligation and its security.

deposit slips showing cash deposits in amounts averaging \$3,900.00, and receipts for cash payouts to customers.

On April 8, 2010, Jerry PANG was arrested by the Laredo Police Department and charged by the State of Texas, Webb County District Attorney's Office with the offenses of keeping a gambling place and illegal gambling promotion in violation of Texas Penal Code 47 §§ 04 and 03, respectively. On November 17, 2011 PANG was convicted of gambling promotion and sentenced to two (2) years of community supervision and fined \$8,000.

10. The Aquarium Amusement Center remained open for business; and from May 4 to May 18, 2012, LPD conducted another undercover operation at the Aquarium Amusement Center. On three separate days, an undercover LPD officer entered the gambling establishment, played an eight-liner gaming machine, and won a cash payout prize in excess of \$5.00. As a result, LPD investigators executed a second state search warrant at the Aquarium Amusement Center on June 1, 2012 and recovered \$18,983.25 United States currency and motherboards from 250 eight-liner gambling devices at the location. One employee was arrested on state charges of gambling promotion, a violation of Texas Penal Code 47.

11. In 2012, Homeland Security Investigations (HSI) Special Agents (SAs) in Laredo, Texas were made aware of the LPD undercover operations and began conducting multiple drive-by inspections of the Aquarium Amusement Center, later known as the Red Top Amusement Center. Each time a SA drove past the amusement center, the business was open and had multiple vehicles parked in the parking lot. Spot surveillance of the establishment by HSI Special Agents continued throughout the next several years and the amusement center was always open for business.

12. Beginning in September, 2012, HSI special agents and Webb County Sheriff Task Force Officers (TFO) began conducting surveillance at the amusement center on multiple

occasions. During surveillance SAs observed the business was open and multiple people went in and out of the establishment.

13. In September 2013, an undercover TFO officer entered the Aquarium Amusement Center on three different occasions and played the eight-liner gambling devices. On September 26, 2013, the undercover TFO was paid winnings in the amount of \$179.50 U.S. currency.

14. On February 10, 2015, an undercover Webb County Sheriff's officer entered the Aquarium, now known as the Red Top Amusement Center, played the eight-liner gambling devices, and won \$90.00 United States currency.

15. On January 7, 2016, an undercover TFO entered the Red Top Amusement Center and acted as a playing customer. The undercover TFO played the eight-liner gambling devices and was paid winnings in the amount of \$90.00 United States currency.

16. On January 8, 2016, HSI SAs and TFOs conducted surveillance at the Red Top Amusement Center. The amusement center was open and multiple people went in and out of the establishment. On that same day, an undercover TFO entered the Red Top Amusement Center and acted as a paying customer. The undercover TFO played an eight-liner gambling device and was paid winnings in the amount of \$40.00 United States currency.

17. From January 2016 to March 29, 2016, HSI Laredo SAs conducted multiple visual checks of the Red Top Amusement Center. Every time a SA drove by the business, it was open and numerous vehicles were parked in the parking lot.

18. On March 29, 2016, SAs from HSI, the Internal Revenue Service – Criminal Investigation, Customs and Border Protection Fines Penalties & Forfeiture, and TFOs from other local, state and federal agencies executed a search warrant at the Red Top Amusement Center. Inside were 326 electronic gaming devices, \$30,317.00 in U.S. currency, at least five employees operating the gaming business. The manager was identified as Eduardo Gabriel MARTINEZ.

19. Mortgage loan payments to BBVA Compass Bank, loan number 0000562579, made by PANG for the property and improvements known as “the Aquarium” and later, “Red Top Amusement Center” were funded by gambling proceeds deposited into bank accounts owned or controlled by PANG. Monthly loan payments averaging in excess of \$12,000 were made from Laredo National Bank account XXXXX4817, in the name of Freeway Connection, Inc., Bank of America accounts XXXXXXXXX25805, in the name of Freeway Connection, Inc. and XXXXXXXXX4091, in the name of Real Destiny, or U.S. currency. Between October 23, 2012 through January 28, 2014, PANG made thirteen cash payments, totaling \$92,300, toward the mortgage loan. The source of funds deposited into PANG’s bank accounts and funding the mortgage payments were traced and determined to be U.S. currency deposits or checks drawn on accounts in the name or business names belonging to Eduardo Gabriel MARTINEZ, manager of the Aquarium/Red Top Amusement Center. Two of these accounts include IBC account XXXXX29279, in the name of The Aquarium, and BBVA Compass account XXXXX68535, in the name of Eduardo Martinez. The memo lines on all of the checks from MARTINEZ listed either “Kitchen” or “Rent.”

On April 20, 2012, the outstanding loan balance was \$259,172.50. As of April 24, 2014, the liens held by BBVA Compass Bank, had been paid in full.

**FLAMINGO AMUSEMENT CENTER:**

20. On October 13, 2011, PANG, Tony TRAN, Tommy WILLIAMS, and other investors, purchased the Defendant Flamingo Amusement Center. Fifteen (15) separate checks cumulating \$491,000.00 were provided at closing to Laredo Title and Abstract. Most of the checks were in amounts exceeding \$10,000. With the exception of two (2) Cashier’s Checks, thirteen (13) of these payments can be traced back to gambling proceeds currency deposits into PANG, TRAN, and WILLIAMS, and personal or business accounts, including the Freeway Connection, Inc. account, previously discussed here. The closing documents reference PANG’s

business, X & M International, Inc. (XMI) as the owner of the property. The balance due and owing for the purchase of the Flamingo Amusement Center was \$650,000. The loan balance was financed by Weinritter Realty. Monthly payments were to be made in the amount of \$14,458.89. A lease agreement dated October 16, 2011 between X & M International, Inc., lessor, and Tony TRAN and Tommy WILLIAMS, lessees, was signed. The agreed upon monthly rental was \$14,500. From October 21, 2011 through December 2, 2013, 56 currency deposits were made into PANG's business bank account for X& M International at Bank of America, account number XXXXX24101. The aggregate amount of cash deposits was \$348,693.00. Also deposited into X & M International's Bank of America account were 24 check payments from "Flamingo Amusement Center" and "Flamingo Tran, Inc." for \$220,500.00. The checks were signed by either TRAN or WILLIAMS and the memo lines on all of the checks listed "Rent". Between November 21, 2011 through December 5, 2013 PANG wrote 25 checks from X & M International Bank of America account XXXXX24101 payable to Weinritter Realty for a total of \$436,391.00. By February 10, 2015, the purchase money loan had been paid in full.

21. From December 8, 2011 to January 29, 2012, Laredo Police Department (LPD) undercover (UC) officers posing as customers gambled and won five (5) cash payouts in excess of \$5.00. LPD Investigators used this information as probable cause to execute a state search warrant at the Flamingo on February 4, 2012. They seized \$25,556.00 in currency, 249 motherboards from eight-liner gambling devices, and multiple documents containing both handwritten notes and spreadsheets documenting cash profits by eight-liner gambling devices. LPD also seized a Samsung Galaxy tablet which belonged to the manager, Tommy WILLIAMS. A search of the tablet was conducted and records detailing the cash payouts of each eight-liner gambling device were discovered.

22. From May 3, 2012 to May 18, 2012, UC officers posing as customers gambled and won three (3) cash payouts in excess of \$5.00. LPD Investigators used this information as probable cause to execute a second search warrant at the Flamingo on June 2, 2012. On this occasion, LPD seized \$14,833.00 in cash, and 250 motherboards from the eight-liner gaming devices.

23. From May 2012 to February 2016, HSI SAs conducted multiple visual checks of the Flamingo. Every time a SA drove by the business, the business was open and had multiple vehicles parked in the parking lot.

24. On February 10, 2016, HSI SAs and Task Force Officers from the Webb County Sheriff's Office (TFOs) conducted surveillance at the Flamingo. SAs were able to observe a lit "Open" sign, and multiple people coming in and out of the establishment. On that same day, a deputy Sheriff TFO was also utilized in an UC capacity to enter the establishment and act as a paying customer. After approximately two hours inside the business, the UC exited the establishment and advised the amusement center housed approximately 100 eight-liner gambling devices which occupied the interior of the establishment. The UC advised a total of four unknown employees were observed working inside the establishment. The UC won \$90.00 in U.S. currency from playing eight-liner gambling devices. The UC advised that an unknown employee handed the UC a winning receipt and advised the UC to cash it in at the business window. The UC was given approximately \$90.00 in U.S. currency in exchange for the winning receipt.

25. On February 11, 2016, HSI Laredo SAs and TFOs conducted surveillance at the Flamingo. SAs were able to observe a lit "Open" sign, and multiple people coming in and out of the establishment.



26. On that same day, a TFO was also utilized in a UC capacity to enter the establishment and act as a paying customer. After approximately two hours inside the business, the UC exited the establishment and provided the following information:

27. The UC advised a total of eight unknown employees were observed working inside the establishment. The UC won a total of approximately \$80.00 in U.S. currency from playing the establishment's eight-liner gambling devices. The UC advised an unknown female employee handed the UC a winning receipt and advised the UC to cash it out at the business window. The UC was given approximately \$80.00 in U.S. currency in exchange for the winning ticket.

28. From February 2016 to March 29, 2016, HSI Laredo SAs conducted multiple visual checks of the Flamingo. Every time a SA drove by the business, the business was open and had multiple vehicles parked in the parking lot.

29. On March 29, 2016, at approximately 12:00 PM, SAs from HSI, the Internal Revenue Service – Criminal Investigation, Customs and Border Protection Fines Penalties & Forfeiture, and TFOs from other local, state and federal agencies executed a search warrant at the Flamingo. Inside were 316 electronic gaming devices, \$20,509.78 in U.S. currency, and at least five employees operating the business.

**LUCKY PANDA AMUSEMENT CENTER:**

30. On March 3, 2014, La Muralla Inc. purchased the Defendant Property located at 2331 Endeavor Drive, Laredo, Texas. The property was purchased with 1) a \$300,000.00 Wells Fargo cashier's check payable to Neel Title drawn on Wells Fargo Bank account XXXXXX9490, under the name of La Murralla, Inc., and tendered by Jerry Pang; 2) a \$50,000 cashier's check payable to Neel Title drawn on Wells Fargo Bank account XXXXXX3879 under the name of Tony Tran dba Flamingo Amusement Center and Wells Fargo Bank account XXXXXX4823 under the name of Flamingo Tran, Inc. and tendered by Tony Tran; 3) a \$25,000

Bank of America cashier's check purchased by Tony Tran, individually; and 4) a \$72,245.44 International Bank of Commerce cashier's check payable to Neel Title and tendered by Jerry Pang, individually. Funding for most of the \$300,000 Wells Fargo Bank cashier's check was traced to currency deposits and rental payments for the Red Top Amusement Center. Settlement closing documents further indicate that \$169,949.35 U.S. currency was paid to the seller and \$600,000 was financed by Weinritter Realty

31. On November 12, 2015, HSI Laredo SAs and Task Force Officers (TFOs) from the Webb County Sheriff's Department conducted surveillance at the Lucky Panda Amusement Center. SAs were able to observe a lit "Open" sign, and multiple people coming in and out of the establishment.

32. On that same day, a TFO was also utilized in an undercover (UC) capacity and entered the establishment acting as a paying customer. The UC remained inside for more than two hours and gambled. During that time, the UC observed 150 gaming devices occupying the interior of the establishment and approximately eight employees. Two employees removed cash from the eight-liner gaming devices and several others were paying out cash to the patrons. The UC won approximately \$358.00 U.S. dollars in U.S. currency from playing eight-liner machines. The UC stated that an unknown female employee handed the UC a winning receipt and advised the UC to cash it in at the business window. Another unknown female operated the business office and exchanged the winning receipt for the \$358.00 in U.S. currency.

33. On November 13, 2015, HSI Laredo SAs and TFOs again conducted surveillance at the Lucky Panda Amusement Center. SAs were able to observe a lit "Open" sign, and multiple people coming in and out of the establishment.

34. On that same day, an undercover TFO entered the establishment acting as a paying customer. The UC remained inside the establishment for approximately one hour and gambled. On this occasion, the UC observed eight employees working inside the Lucky Panda

Amusement Center. The same unknown female working the business office on November 12, 2015 paid the UC \$60.00 U.S. currency in gambling winnings.

35. From November 2015 to January 2016, HSI Laredo SAs conducted multiple visual checks of the Lucky Panda Amusement Center. Every time a SA drove by the business, it was observed that the business was open and had multiple vehicles parked in the parking lot.

36. On January 7, 2016, HSI Laredo SAs and TFOs conducted surveillance at the Lucky Panda Amusement Center. SAs were able to observe a lit "Open" sign, and multiple people coming in and out of the establishment.

37. On that same day, an undercover TFO entered the establishment acting as a paying customer. The UC remained inside the establishment for approximately two hours and gambled. The UC advised that he/she received a cash payout from an employee managing the amusement center. The UC was paid \$195.00 U.S. currency. UC advised that the cash payout was a result of winning a jackpot while playing 'The Life of Luxury' eight-liner gambling device.

38. From January 2016 to March 29, 2016, HSI Laredo SAs conducted multiple visual checks of the Lucky Panda Amusement Center. Every time a SA drove by the business, the business was open and had multiple vehicles parked in the parking lot.

39. On March 29, 2016, at approximately 12:00 PM, SAs from HSI, the Internal Revenue Service – Criminal Investigation, Customs and Border Protection Fines Penalties & Forfeiture, and TFOs from other local, state and federal agencies executed a search warrant at the Flamingo. Inside were 310 electronic gaming devices, \$19,841.00 in U.S. currency, and at least five employees operating the business.

40. A criminal financial investigation into the money laundering activities of the owners and operators of the Defendant Properties is ongoing through the date of this affidavit.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this the 1<sup>st</sup> day of July, 2016.

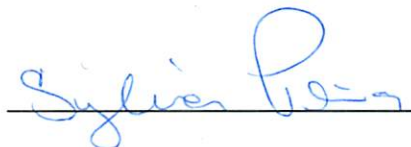


Phillip Chaves, Special Agent  
U.S. Department of Homeland Security  
Homeland Security Investigations

SUBSCRIBED and SWORN to before me the undersigned Notary Public on this 1<sup>st</sup> day of July, 2016.

February 23, 2020

My Commission Expires



Notary Public for the State of Texas

